

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Saranac	County Ionia
Audit Date February 29, 2004	Opinion Date June 29, 2004	Date Accountant Report Submitted to State: August 10, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, PC			
Street Address 3775 Kimmel Road	City HORTON	State Michigan	ZIP 49246
Accountant Signature <i>Karl L. Drake CPA</i>			

VILLAGE OF SARANAC

FINANCIAL STATEMENTS

FEBRUARY 29, 2004

VILLAGE OF SARANAC

TABLE OF CONTENTS

	<u>PAGE</u>
VILLAGE OFFICIALS.....	1
INDEPENDENT AUDITOR'S REPORT.....	2-3
GENERAL PURPOSE FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET.....	5
COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES.....	6
COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES.....	7
COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS- PROPRIETARY FUND TYPE.....	8
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE.....	9
NOTES TO FINANCIAL STATEMENTS.....	10-19
SUPPLEMENTAL FINANCIAL INFORMATION	
GENERAL FUND	
Balance Sheet.....	21
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual.....	22
SPECIAL REVENUE FUNDS	
Combining Balance Sheet.....	23
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance.....	24
MAJOR STREET FUND	
Balance Sheet.....	25
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual.....	26
LOCAL STREET FUND	
Balance Sheet.....	27
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual.....	28
FIRE FUND	
Balance Sheet.....	29
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual.....	30

	<u>PAGE</u>
WATER AND SEWER FUND	
Balance Sheet.....	31
Statement of Revenue, Expenses, and Changes in Retained Earnings.....	32
Statement of Cash Flows.....	33
GENERAL LONG-TERM DEBT ACCOUNT GROUP	
Statement of General Long-Term Debt.....	34
ADDITIONAL FINANCIAL DATA	
GENERAL FUND -	
Schedule of Expenditures by Object Account.....	36
MAJOR STREET FUND -	
Schedule of Expenditures by Object Account.....	37
LOCAL STREET FUND -	
Schedule of Expenditures by Object Account.....	38
FIRE FUND -	
Schedule of Expenditures by Object Account.....	39
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	40-41

VILLAGE OF SARANAC

VILLAGE OFFICIALS

FEBRUARY 29, 2004

President

Sue Ferguson

Village Council

Margaret Breckon

Tim Jurmo

Dean Gage, Sr.

Jim Grant

Mark Grieves

Ray VanDerVelde

Treasurer

Becky Beaudry

Karl L. Drake, P.C.
Certified Public Accountant

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Horton, Michigan 49246

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Saranac
Ionia County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Saranac as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Saranac's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1-A, the general purpose financial statements referred to above do not include the financial statements of the Village of Saranac Library Fund, which should be included to conform with United States generally accepted accounting principles.

As described in Note 1-B, the Village does not maintain a record of its general fixed assets and, accordingly, a Statement of General Fixed Assets, required by United States generally accepted accounting principles, is not included in the financial statements.

In our opinion, except for the matters discussed in the preceding two paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Saranac as of February 29, 2004, the results of its operations and cash flows for its proprietary fund for the year then ended, in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2004, on our consideration of the Village of Saranac's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements are presented for purposes of additional analysis, and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.
Certified Public Accountant

June 29, 2004

VILLAGE OF SARANAC

GENERAL PURPOSE FINANCIAL STATEMENTS

VILLAGE OF SARANAC

COMBINED BALANCE SHEET

FEBRUARY 29, 2004

	Governmental Fund Types	
	General Fund	Special Revenue Funds
ASSETS		
Cash in Bank	\$ 829,625	\$ 61,155
Accounts receivable	17,970	---
Grants Receivable	---	---
Due From Other Gov. Units	---	---
Due from Other Funds	30,000	15,000
Due from Library	---	---
Property Tax Receivable	20,807	---
Fixed Assets (Net)	---	---
Amounts to be Provided for Retirement of General Long Term Debt	---	---
TOTAL ASSETS	\$ 898,402	\$ 76,155
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	\$ 9,163	\$ 12,270
Due to Other Funds	15,804	24,070
Bonds Payable	---	---
Accrued Sick and Comp. Time	---	---
TOTAL LIABILITIES	24,967	36,340
Fund Equity		
Contributed Capital	---	---
Retained Earnings		
Reserved	---	---
Unreserved - Undesignated	---	---
Fund Balance		
Reserved	15,152	---
Unreserved - Undesignated	858,283	39,815
TOTAL FUND EQUITY	873,435	39,815
TOTAL LIABILITIES AND FUND EQUITY	\$ 898,402	\$ 76,155

Proprietary Fund Types	Account Group	Total
Enterprise Fund	General Long Term Debt	(Memorandum Only)
\$ 400,537	\$ ---	\$ 1,291,317
40,528	---	58,498
---	---	---
---	---	---
6,830	---	51,830
---	---	---
---	---	20,807
1,725,161		1,725,161
---	5,970	5,970
<u>\$ 2,173,056</u>	<u>\$ 5,970</u>	<u>\$ 3,153,583</u>

\$ 1,658	\$ ---	\$ 23,091
11,956	---	51,830
---	---	---
---	5,970	5,970
<u>\$ 13,614</u>	<u>\$ 5,970</u>	<u>\$ 80,891</u>

\$ 420,269	\$ ---	\$ 420,269
---	---	---
1,739,173	---	1,739,173
---	---	15,152
---	---	898,098
<u>2,159,442</u>	<u>---</u>	<u>3,072,692</u>
<u>\$ 2,173,056</u>	<u>\$ 5,970</u>	<u>\$ 3,153,583</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF SARANAC

COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES YEAR ENDED FEBRUARY 29, 2004

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
REVENUE			
Taxes	\$ 202,162	\$ 47,072	\$ 249,234
Intergovernmental Revenue	309,190	133,650	442,840
Charges/Sales & Service	15,977	---	15,977
Fines and Forfeits	2,721	---	2,721
Interest and Dividends	10,149	302	10,451
Rents and Royalties	18,557	---	18,557
Miscellaneous	18,441	885	19,326
TOTAL REVENUE	<u>577,197</u>	<u>181,909</u>	<u>759,106</u>
EXPENDITURES			
General Government	94,528	---	94,528
Public Safety	51,098	42,294	93,392
Public Works	23,005	149,301	172,306
Recreation/Culture	19,722	---	19,722
Capital Outlay	315,715	171,885	487,600
TOTAL EXPENDITURES	<u>504,068</u>	<u>363,480</u>	<u>867,548</u>
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	73,129	-181,571	-108,442
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	194,000	194,000
Operating Transfers <Out>	-207,514	---	-207,514
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER <UNDER> EXPENDITURES AND OTHER FINANCING USES	-134,385	12,429	-121,956
FUND BALANCE BEGINNING OF YEAR	<u>1,007,820</u>	<u>27,386</u>	<u>1,035,206</u>
FUND BALANCE END OF YEAR	<u>\$ 873,435</u>	<u>\$ 39,815</u>	<u>\$ 913,250</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF SARANAC

COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL ALL GOVERNMENTAL FUND TYPES YEAR ENDED FEBRUARY 29, 2004

	General Fund		
	Budget	Actual	Favorable <Unfavorable>
REVENUE			
Taxes	\$ 200,000	\$ 202,162	\$ 2,162
Intergovernmental Revenue	309,056	309,190	134
Charges for Service/Sales	8,425	15,977	7,552
Fines and Forfeits	2,000	2,721	721
Interest/Dividends	9,820	10,149	329
Rents/Royalties	16,000	18,557	2,557
Miscellaneous	40,000	18,441	-21,559
TOTAL REVENUE	585,301	577,197	-8,104
EXPENDITURES			
General Government	114,850	94,528	20,322
Public Safety	56,110	51,098	5,012
Public Works	20,031	23,005	-2,974
Recreation/Culture	34,750	19,722	15,028
Capital Outlay	311,047	315,715	-4,668
TOTAL EXPENDITURES	536,788	504,068	32,720
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	48,513	73,129	24,616
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	-238,390	-207,514	30,876
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER <UNDER> EXPENDITURES AND OTHER FINANCING USES	\$ -189,877	\$ -134,385	\$ 55,492
FUND BALANCE BEGINNING OF YEAR		1,007,820	
FUND BALANCE END OF YEAR		\$ 873,435	

Special Revenue Funds		
Budget	Actual	Favorable <Unfavorable>
\$ 46,000	\$ 47,072	\$ 1,072
134,100	133,650	-450
---	---	---
---	---	---
---	302	302
---	---	---
---	885	885
180,100	181,909	1,809

---	---	---
41,300	42,294	-994
198,500	149,301	49,199
---	---	---
165,190	171,885	-6,695
404,990	363,480	41,510

-224,890	-181,571	43,319
----------	----------	--------

224,890	194,000	-30,890
---	---	---

\$ ---	12,429	\$ 12,429
--------	--------	-----------

27,386

\$ 39,815

See Accompanying Notes to Financial Statements.

VILLAGE OF SARANAC

COMBINED STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS – PROPRIETARY FUND TYPE

YEAR ENDED FEBRUARY 29, 2004

	<u>Proprietary Fund Type Enterprise Fund</u>
OPERATING REVENUE	
Service Charges	
Water	\$ 129,286
Sewer	118,363
TOTAL OPERATING REVENUE	<u>247,649</u>
OPERATING EXPENSES	
Salaries and Benefits	65,964
Supplies	10,579
Contracted Services	25,309
Printing	162
Insurance	18,522
Utilities	24,443
Equipment Maintenance	14,620
Equipment Rental	5,780
Miscellaneous	911
TOTAL OPERATING EXPENSES	<u>166,290</u>
INCOME FROM OPERATIONS BEFORE DEPRECIATION	81,359
LESS DEPRECIATION	
On Assets Acquired with Own Funds	-68,264
On Assets Acquired with Contributed Capital	<u>-25,982</u>
NET OPERATING INCOME <LOSS>	<u>-12,887</u>
NON-OPERATING INCOME	
Connection Fees	5,800
Equipment Rental	21,882
Interest on Investments	3,794
Penalties and Late Fees	2,455
Miscellaneous	1,696
TOTAL NON-OPERATING INCOME	<u>\$ 35,627</u>

	Proprietary Fund Type Enterprise Fund
NON-OPERATING EXPENSE	
Interest Expense	\$ ---
NET INCOME	22,740
ADD BACK DEPRECIATION	
Charged Against Contributed Capital	<u>25,982</u>
NET INCOME TRANSFERRED TO FUND EQUITY	48,722
RETAINED EARNINGS - MARCH 1, 2003	<u>1,690,451</u>
RETAINED EARNINGS - FEBRUARY 29, 2004	<u>\$ 1,739,173</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF SARANAC

STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

YEAR ENDED FEBRUARY 29, 2004

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income <Loss>	\$ -12,887
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	94,246
Connection Fees	5,800
Equipment Rental	21,882
Penalties and Late Fees	2,455
Miscellaneous	1,696
Total Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	126,079
Changes in Assets and Liabilities	
Accounts Receivable	-2,034
Grants Receivable	---
Due from Other Funds	1,911
Accounts Payable	-4,571
Due to Other Funds	-26,846
Total Changes in Assets and Liabilities	-31,540
NET CASH PROVIDED BY OPERATING ACTIVITIES	81,652
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Property, Plant, and Equipment Acquisitions	-161,077
Interest Expense	---
EDA Grant	---
NET CASH PROVIDED <USED> BY CAPITAL AND RELATED FINANCING ACTIVITIES	-161,077
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	3,794
NET INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS	-75,631
CASH AND CASH EQUIVALENTS - MARCH 1, 2003	476,168
CASH AND CASH EQUIVALENTS - FEBRUARY 29, 2004	\$ 400,537

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Saranac is a General law Village with a population of 1,326 people. The Village is governed by a seven member elected Village Council. The Village provides basic municipal services to Village residents.

A. DEFINITION OF REPORTING ENTITY

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government; (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization or;
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, the following organization is excluded from the accompanying financial statements:

The financial statements of the Saranac Housing Commission are excluded since the Village does not have responsibility for the debt of the Housing Commission, nor does the Village exercise oversight responsibility or accountability for fiscal matters.

The Village of Saranac Library meets the criteria established by the Governmental Accounting Standards Board of inclusion, but its financial statements have been excluded from the financial statements of the Village. The Library's fiscal year end is September 30, and a separate audit is performed.

B. FUND ACCOUNTING

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures/expenses as appropriate.

VILLAGE OF SARANAC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FUND ACCOUNTING (CONTINUED)

The various funds of the Village are as follows:

GOVERNMENTAL FUND TYPES

General Fund - This Fund is used to account for all financial transactions except those required to be accounted for in another fund. The Fund includes the general operating expenditures of the Village and the means of financing them.

Special Revenue Funds - These Funds are used to account for specific governmental revenue (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The Special Revenue Funds include the Major Street Fund, the Local Street Fund, and the Fire Fund.

PROPRIETARY FUND TYPE - ENTERPRISE FUND

This Fund reports operations of the Village's utility operations that are financed primarily by user charges. The utilities are financed and operated like a private business enterprise that requires periodic measurement of net income for capital maintenance, public policy, management control, or other purposes.

ACCOUNT GROUPS

In addition to the funds maintained by the Village, the Village could also maintain two Account Groups, as described below:

General Fixed Assets Account Group - United States generally accepted accounting principles call for the cost of fixed assets owned by the Village, other than those purchased by Proprietary Funds, to be accumulated in a General Fixed Assets Account Group. The Village of Saranac, however, does not maintain a General Fixed Assets Account Group.

General Long-Term Debt Account Group - This Account Group presents the balance of general obligation long-term debt that is not recorded in Proprietary Funds. The Village of Saranac maintains this Account Group.

The two Account Groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

C. BASIS OF ACCOUNTING

Basis of accounting refers to how revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting, as required under United States generally accepted accounting principles, varies for each fund type.

General and Special Revenue funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period that it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

The accounting policies of the Village of Saranac conform to United States generally accepted accounting principles as applicable to governmental entities. The accounting books and records of the Village of Saranac are maintained on the cash basis of accounting during the year. They are converted to the modified accrual basis of accounting at year end through various adjusting entries, with the exception of the Enterprise fund, which is converted to the accrual basis of accounting as required by United States generally accepted accounting principles as applicable to governmental entities.

D. BUDGETARY COMPARISONS

The Village of Saranac adopts budgets for the General and Special Revenue Funds as required by United States generally accepted accounting principles and Michigan Public Act 621 of 1978. Accordingly, the financial statements present comparisons of actual revenue and expenditures to the approved budgets for these Funds.

The Village also adopts a budget for the Enterprise Fund, but since United States generally accepted accounting principles do not require a comparison to budget for this Fund, a budgetary comparison is not presented.

E. PROPERTY TAXES

Property taxes are levied on July 1 of each year and are recorded on the modified accrual basis of accounting which recognizes property taxes as revenue in the year of levy, with the exception of delinquent personal property taxes not collected at year end, which are recognized as revenue in the year received. Such delinquent personal property taxes are immaterial. Total taxable value of Village property was \$18,836,398. Total authorized millage is 12.5 mills for operating, and 5.5 mills for streets. Assessed millage was 10.5205 mills for operating, and 2.5 mills for streets.

VILLAGE OF SARANAC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. CASH

For the purpose of the Statement of Cash Flows presented for the Enterprise fund, the Village considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be Cash Equivalents.

G. INVENTORIES AND PREPAID ITEMS

The Village follows the policy of not recording inventories or prepaid expenditures/expenses. The effect of not recording inventories or prepaid expenditures/expenses is considered to be immaterial.

H. FIXED ASSETS

Purchases of fixed assets are recorded as capital assets in the Enterprise Fund at the time of acquisition and, accordingly, the in-service utilities' property and equipment (sewage and water systems) are capitalized at cost in the Enterprise Fund. Depreciation has been provided using the straight-line method over the assets' estimated useful lives. Depreciation is charged proportionately to Contributed Capital for the portion of the system financed by Customer and Federal Contributions, with the remaining depreciation being charged to current expense as Depreciation Expense.

Purchases of fixed assets are recorded as expenditures in the General and Special Revenue Funds at the time of acquisition.

I. LONG-TERM DEBT

Long-term liabilities expected to be financed from Governmental funds are accounted for in the General Long-Term Debt Account Group rather than in the Governmental funds. These liabilities consist of vested employee benefits. Long-term liabilities expected to be financed by Proprietary (Enterprise) funds are recorded on the balance sheet.

J. FUND EQUITY

RESERVED - Reserved fund equity indicates that portion of fund equity legally segregated for specific purposes.

UNRESERVED - DESIGNATED - Designated fund equity indicates that portion of fund equity that the Village Council has earmarked for specific purposes.

UNRESERVED - UNDESIGNATED - Undesignated fund equity indicates that portion of fund equity that represents the net assets available for future operations or distribution.

K. FRINGE BENEFITS

The Village's elected and appointed officials are covered by worker's compensation insurance. This benefit is charged to each Fund on the same basis as the related salaries.

The Village treasurer and employees also receive worker's compensation insurance and social security. In addition, they receive health insurance and are covered by an unemployment compensation plan through the State of Michigan. All of these benefits are charged to the Fund to which the related salaries and wages are charged.

The Village contributes 6% of all full-time employees wages into an IRA account in the name of the employee. Total amount contributed by the Village for the year ended February 29, 2004, was \$8,803.

L. COMPENSATED TIME

The Personnel Policy of the Village allows employees to accumulate any time worked in excess of forty hours per week. This accumulated time can then be used during the year for the time when they do not actually work, or it will be paid to them upon termination or retirement. At February 29, 2004, there was approximately \$5,970 in accumulated compensation time benefits, which is recorded in the General Long-Term Debt Account Group.

M. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations.

N. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF SARANAC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS

The Village of Saranac's cash and investments consisted of cash in checking, cash in savings, and certificates of deposit. These investments conform to the requirements set forth by law for investments of surplus funds.

At February 29, 2004, the carrying amount of the Village's cash and investments was \$1,268,917, as follows:

	Book Value	Bank Carrying Value
Deposits with Financial Institutions		
Cash in Checking	\$ 26,960	\$ 33,549
Cash in Savings	1,015,063	986,074
Certificates of Deposit	249,294	249,294
Total Deposits with Financial Institutions	<u>\$ 1,291,317</u>	<u>\$ 1,268,917</u>

The difference between book value and bank carrying value is caused by deposits in transit and outstanding checks. Of the \$1,286,917 of deposits with financial institutions, \$300,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$968,917 was uninsured and uncollateralized.

Due to varying cash flows, the Village's deposits with financial institutions were higher during the year than at year end. Therefore, a larger amount was uninsured and uncollateralized at points during the year.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at February 29, 2004 are as follows:

	Due From Other Funds	Due to Other Funds
<u>General Fund</u>		
Major Street	\$ 9,904	\$ ---
Local Street	6,881	15,000
Fire Fund	1,259	---
Water and Sewer	11,956	804
Subtotal - General Fund	30,000	15,804
<u>Special Revenue Funds</u>		
Major Street		
General	---	9,904
Water and Sewer	---	3,857
Local Street		
General	15,000	6,881
Water and Sewer	---	2,169
Fire Fund		
General	---	1,259
Subtotal - Special Revenue Funds	15,000	24,070
<u>Enterprise Fund</u>		
Water and Sewer		
General	804	11,956
Major Street	3,857	---
Local Street	2,169	---
Subtotal - Enterprise Fund	6,830	11,956
Grand Totals	\$ 51,830	\$ 51,830

VILLAGE OF SARANAC

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - WATER AND SEWER FUND DEPRECIATION METHODS

In the Water and Sewer Fund, annual charges to depreciation are computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives are as follows:

Water and Sewer Systems	20 - 50 Years
Machinery and Equipment	5 - 15 Years

As explained in Note 1, depreciation is charged proportionately against Contributed Capital for that portion of the systems financed by Customer and Federal Contributions.

Depreciation expense for the year ended February 29, 2004 is as follows:

Depreciation on Assets Acquired with Own Funds	\$ 68,264
Depreciation on Assets Acquired with Contributed Capital	<u>25,982</u>
Total Depreciation Expense	<u>\$ 94,246</u>

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

A summary of Water and Sewer Fund property, plant, and equipment at February 29, 2004 follows:

	Asset Cost 03/01/03	Net Additions <Deletions >	Asset Cost 02/29/04	Accum. Depr. 03/01/03	Net Depr. Expense	Accum. Depr. 02/29/04
Water System and Improvements	\$ 1,754,112	\$ 86,605	\$ 1,840,717	\$ 438,201	\$ 69,266	\$ 507,467
Sewer System and Improvements	606,205	6,900	613,105	273,121	15,874	288,995
Equipment	69,018	44,605	113,623	59,683	-13,861	45,822
Totals	<u>\$ 2,429,335</u>	<u>\$ 138,110</u>	<u>\$ 2,567,445</u>	<u>\$ 771,005</u>	<u>\$ 71,279</u>	<u>\$ 842,284</u>

The difference (\$22,967) between actual depreciation expense (\$94,246) and net depreciation expense (\$71,279) is caused by the writing-off of discarded assets.

NOTE 6 - LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended February 29, 2004.

<u>Debt Reported In:</u>	<u>Balance 03/01/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 02/29/04</u>
General long-term Debt account group				
Vested employee Benefits	\$ 6,051	\$ ---	\$ 81	\$ 5,970
Total long-term debt	\$ 6,051	\$ ---	\$ 81	\$ 5,970

Vested Employee Benefits activity is reported at net additions; gross additions and retirements are unavailable.

NOTE 7 - RESERVED EQUITY

Reserved Fund Balances

General Fund - \$15,152 has been reserved for future construction of a tennis court.

NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL GOVERNMENTAL FUNDS

During the year ended February 29, 2004, the Village incurred expenditures in the General and Special Revenue Funds that were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variances</u>
General Fund			
Public Works	\$ 20,031	\$ 23,005	\$ -2,974
Capital Outlay	311,047	315,715	-4,668
Special Revenue Funds			
Public Safety	41,300	42,294	-994
Capital Outlay	165,190	171,885	-6,695

VILLAGE OF SARANAC

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Village has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At February 29, 2004, no claims exist, and no provision has been entered into the accounting records.

NOTE 10 - WATER AND SEWER FUND

Internal records are separately maintained for the water department and the sewer department. On September 5, 2001, the water department borrowed \$300,000 from the sewer department to complete water tower construction. Interest is charged on this loan at 4.5%, and it is being repaid over 30 years with monthly payments of \$1,512.65. Total interest income for the sewer department was \$12,959, related to this loan. The outstanding balance at February 29, 2004, was \$287,836. This note is not reflected as a receivable or a payable in this financial statement, because it is an internal transaction.

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains one Enterprise Fund providing water and sewer services. Segment information for the year ended February 29, 2004, is as follows:

	Water	Sewer	Total
Operating Revenues	\$ 129,286	\$ 118,363	\$ 247,649
Operating Expenses before Depreciation	95,744	70,546	166,290
Depreciation	69,266	24,980	94,246
Operating Income <Loss>	-35,724	22,837	-12,887
Net Earnings <Loss>	-28,512	51,252	22,740
Total Assets	1,480,631	692,425	2,173,056
Long-Term Debt - payable from			
Operating Revenue	---	---	---
Total Equity	\$ 1,472,336	\$ 687,106	\$ 2,159,442

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF SARANAC

GENERAL FUND BALANCE SHEET

FEBRUARY 29, 2004

ASSETS

Cash in Checking	\$ 26,958
Cash in Savings	787,515
Certificates of Deposit	---
Restricted Cash - Memorial	15,152
Due from Other Funds	30,000
Due from Library	---
Due from Saranac Housing	---
Property Tax Receivable	20,807
Accounts Receivable	<u>17,970</u>

TOTAL ASSETS \$ 898,402

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 5,980
Payroll Taxes Payable	3,183
Due to Other Funds	<u>15,804</u>
TOTAL LIABILITIES	<u>24,967</u>

FUND BALANCE

Reserved - Restricted	15,152
Unreserved - Undesignated	<u>858,283</u>
TOTAL FUND BALANCE	<u>873,435</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 898,402

VILLAGE OF SARANAC

GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
TAXES			
Property Taxes	\$ 195,000	\$ 198,166	\$ 3,166
Payments in Lieu of Tax	5,000	3,996	-1,004
TOTAL TAXES	200,000	202,162	2,162
 INTERGOVERNMENTAL REVENUE			
State Shared Revenue	158,933	158,933	---
Liquor License Fee	1,200	1,334	134
MI-DNR Grand Funds	148,923	148,923	---
TOTAL INTERGOVERNMENTAL REVENUE	309,056	309,190	134
 CHARGES FOR SERVICES AND SALES			
Park Reservations	925	925	---
Cable Franchise Fee	7,000	9,002	2,002
Zoning Permits	500	550	50
Refuse Service	---	5,500	5,500
TOTAL CHG. SERVICES/SALES	8,425	15,977	7,552
 FINES AND FORFEITS			
Parking Violations	---	175	175
Other Fines	2,000	2,546	546
TOTAL FINES/FORFEITS	2,000	2,721	721
 INTEREST AND DIVIDENDS			
Interest on Investments	9,820	10,149	329
 RENTS AND ROYALTIES			
Equipment Rental	16,000	18,557	2,557
 OTHER			
Miscellaneous	---	896	896
Sale of Property	---	---	---
Refunds and Reserve	---	1,042	1,042
Park Contributions	40,000	16,503	-23,497
TOTAL OTHER	40,000	18,441	-21,559
 TOTAL REVENUE	\$ 585,301	\$ 577,197	\$ -8,104

	Budget	Actual	Favorable <Unfavorable>
EXPENDITURES			
GENERAL GOVERNMENT			
Village Council	\$ 11,100	\$ 7,296	\$ 3,804
Election	1,500	787	713
Clerk/Treasurer	29,200	25,590	3,610
Village Hall and Grounds	38,200	33,482	4,718
Unallocated	34,850	27,373	7,477
TOTAL GENERAL GOVERNMENT	114,850	94,528	20,322
PUBLIC SAFETY			
Law Enforcement	47,310	45,118	2,192
Ambulance	8,800	5,980	2,820
TOTAL PUBLIC SAFETY	56,110	51,098	5,012
PUBLIC WORKS			
Street Lighting	18,000	15,962	2,038
Refuse	2,031	7,043	-5,012
TOTAL PUBLIC WORKS	20,031	23,005	-2,974
RECREATION AND CULTURE			
Parks and Recreation	34,750	19,722	15,028
CAPITAL OUTLAY			
Park	303,347	303,298	49
Building and Grounds	7,700	12,417	-4,717
TOTAL CAPITAL OUTLAY	311,047	315,715	-4,668
TOTAL EXPENDITURES	536,788	504,068	32,720
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	48,513	73,129	24,616
OTHER FINANCING USES			
Operating Transfers <Out>	-238,390	-207,514	30,876
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER FINANCING USES	<u>\$ -189,877</u>	<u>-134,385</u>	<u>\$ 55,492</u>
FUND BALANCE - MARCH 1, 2003		<u>1,007,820</u>	
FUND BALANCE - FEBRUARY 29, 2004		<u><u>\$ 873,435</u></u>	

VILLAGE OF SARANAC

SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET

FEBRUARY 29, 2004

	Major Street Fund	Local Street Fund	Fire Fund	Totals
ASSETS				
Cash in Checking	\$ 48,535	\$ 5,322	\$ 25	\$ 53,882
Certificates of Deposit	---	---	7,273	7,273
Due from Other Funds	---	15,000	---	15,000
TOTAL ASSETS	\$ 48,535	\$ 20,322	\$ 7,298	\$ 76,155

LIABILITIES AND FUND BALANCE

LIABILITIES				
Accounts Payable	\$ 3,093	\$ 9,177	\$ ---	\$ 12,270
Due to Other Funds	13,761	9,050	1,259	24,070
TOTAL LIABILITIES	16,854	18,227	1,259	36,340
FUND BALANCE	31,681	2,095	6,039	39,815
TOTAL LIABILITIES AND FUND BALANCE	\$ 48,535	\$ 20,322	\$ 7,298	\$ 76,155

SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED FEBRUARY 29, 2004

	Major Street Fund	Local Street Fund	Fire Fund	Totals
REVENUE				
Taxes	\$ 23,536	\$ 23,536	\$ ---	\$ 47,072
Intergovernmental Revenue	72,210	22,381	39,059	133,650
Interest and Dividends	111	48	143	302
Miscellaneous	---	---	885	885
TOTAL REVENUE	95,857	45,965	40,087	181,909
EXPENDITURES				
Public Safety	---	---	42,294	42,294
Public Works	81,718	67,583	---	149,301
Capital Outlay	---	166,212	5,673	171,885
TOTAL EXPENDITURES	81,718	233,795	47,967	363,480
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	14,139	-187,830	-7,880	-181,571
OTHER FINANCING SOURCES				
Operating In Transfers In	13,000	181,000	---	194,000
Operating Transfers <Out>	---	---	---	---
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER <UNDER> EXPENDITURES	27,139	-6,830	-7,880	12,429
FUND BALANCE - MARCH 1, 2003	4,542	8,925	13,919	27,386
FUND BALANCE - FEBRUARY 29, 2004	\$ 31,681	\$ 2,095	\$ 6,039	\$ 39,815

VILLAGE OF SARANAC

MAJOR STREET FUND BALANCE SHEET

FEBRUARY 29, 2004

ASSETS

Cash in Checking	\$ 48,535
Cash - Certificate of Deposit	---
Due from other Governmental Units	---
TOTAL ASSETS	<u>\$ 48,535</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 3,093
Due to Other Funds	<u>13,761</u>
TOTAL LIABILITIES	16,854

FUND BALANCE	<u>31,681</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 48,535</u>
---	-------------------------

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
TAXES			
Property Taxes	\$ 23,000	\$ 23,536	\$ 536
INTERGOVERNMENTAL REVENUE			
State Shared Revenue			
Gas and Weight taxes	67,500	72,210	4,710
INTEREST AND DIVIDENDS			
Interest on Investments	---	111	111
MISCELLANEOUS REVENUE	---	---	---
TOTAL REVENUE	<u>90,500</u>	<u>95,857</u>	<u>5,357</u>
EXPENDITURES			
PUBLIC WORKS			
Routine Maintenance	91,350	66,625	24,725
Winter Maintenance	19,000	15,093	3,907
CAPITAL OUTLAY	---	---	---
TOTAL EXPENDITURES	<u>110,350</u>	<u>81,718</u>	<u>28,632</u>
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	<u>-19,850</u>	<u>14,139</u>	<u>33,989</u>
OTHER FINANCING SOURCES			
Operating Transfers In	19,850	13,000	-6,850
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER <UNDER> EXPENDITURES	<u>\$ ---</u>	<u>27,139</u>	<u>\$ 27,139</u>
FUND BALANCE - MARCH 1, 2003		<u>4,542</u>	
FUND BALANCE - FEBRUARY 29, 2004		<u>\$ 31,681</u>	

VILLAGE OF SARANAC

LOCAL STREET FUND BALANCE SHEET

FEBRUARY 29, 2004

ASSETS

Cash in Checking	\$ 5,322
Certificates of Deposit	---
Due from Other Funds	<u>15,000</u>

TOTAL ASSETS	<u>\$ 20,322</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 9,177
Due to Other Funds	<u>9,050</u>
TOTAL LIABILITIES	18,227

FUND BALANCE	<u>2,095</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 20,322</u>
---	-------------------------

LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Favorable <Unfavorable>
REVENUE			
TAXES			
Property Taxes	\$ 23,000	\$ 23,536	\$ 536
INTERGOVERNMENTAL REVENUE			
State Shared Revenue			
Gas and Weight taxes	19,500	22,381	2,881
INTEREST AND DIVIDENDS			
Interest on Investments	---	48	48
TOTAL REVENUE	<u>42,500</u>	<u>45,965</u>	<u>3,465</u>
EXPENDITURES			
PUBLIC WORKS			
Routine Maintenance	75,400	59,668	15,732
Winter Maintenance	12,750	7,915	4,835
CAPITAL OUTLAY	<u>159,390</u>	<u>166,212</u>	<u>-6,822</u>
TOTAL EXPENDITURES	<u>247,540</u>	<u>233,795</u>	<u>13,745</u>
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	<u>-205,040</u>	<u>-187,830</u>	<u>17,210</u>
OTHER FINANCING SOURCES			
Operating Transfers In	205,040	181,000	-24,040
Operating Transfers <Out>	---	---	---
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER <UNDER> EXPENDITURES	<u>\$ ---</u>	<u>-6,830</u>	<u>\$ -6,830</u>
FUND BALANCE - MARCH 1, 2003		<u>8,925</u>	
FUND BALANCE - FEBRUARY 29, 2004		<u>\$ 2,095</u>	

VILLAGE OF SARANAC

FIRE FUND BALANCE SHEET

FEBRUARY 29, 2004

ASSETS

Cash in Checking	\$ 25
Cash - Certificate of Deposit	<u>7,273</u>
TOTAL ASSETS	<u>\$ 7,298</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Funds	\$ 1,259
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FUND BALANCE	<u>6,039</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,298</u>
---	------------------------

FIRE FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable <Unfavorable></u>
REVENUE			
INTERGOVERNMENTAL REVENUE			
Contribution from Townships	\$ 47,100	\$ 39,059	\$ -8,041
INTEREST AND DIVIDENDS			
Interest on Investment	---	143	143
MISCELLANEOUS			
Gain on Sale of Assets	---	885	885
TOTAL REVENUE	<u>47,100</u>	<u>40,087</u>	<u>-7,013</u>
EXPENDITURES			
Public Safety	41,300	42,294	-994
Capital Outlay	5,800	5,673	127
TOTAL EXPENDITURES	<u>47,100</u>	<u>47,967</u>	<u>-867</u>
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	---	-7,880	-7,880
OTHER FINANCING SOURCES OPERATING TRANSFERS IN	---	---	---
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER <UNDER> EXPENDITURES	<u>\$ ---</u>	-7,880	<u>\$ -7,880</u>
FUND BALANCE - MARCH 1, 2003		<u>13,919</u>	
FUND BALANCE - FEBRUARY 29, 2004		<u>\$ 6,039</u>	

VILLAGE OF SARANAC

WATER AND SEWER FUND BALANCE SHEET

FEBRUARY 29, 2004

ASSETS

CURRENT ASSETS

Cash in Checking	\$ ---
Cash in Savings	173,668
Certificates of Deposit	226,869
Accounts Receivable	40,528
Grants Receivable	---
Due from Other Funds	6,830
TOTAL CURRENT ASSETS	<u>447,895</u>

PROPERTY, PLANT, AND EQUIPMENT

Water System	1,840,717
Sewer System	613,105
Equipment	113,623
Less: Accumulated Depreciation	-842,284
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>1,725,161</u>

TOTAL ASSETS \$ 2,173,056

LIABILITIES AND FUND EQUITY

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 1,658
Due to Other Funds	11,956
TOTAL CURRENT LIABILITIES	<u>13,614</u>

LONG-TERM LIABILITIES ---

TOTAL LIABILITIES 13,614

FUND EQUITY

CONTRIBUTED CAPITAL 420,269

RETAINED EARNINGS

Reserved	---
Unreserved - Undesignated	1,739,173
TOTAL RETAINED EARNINGS	<u>1,739,173</u>

TOTAL FUND EQUITY 2,159,442

TOTAL LIABILITIES AND FUND EQUITY \$ 2,173,056

WATER AND SEWER FUND **STATEMENT OF REVENUE, EXPENSES, AND** **CHANGES IN RETAINED EARNINGS**

YEAR ENDED FEBRUARY 29, 2004

OPERATING REVENUE

Service Charges	\$ 129,286
Water	<u>118,363</u>
Sewer	<u>247,649</u>
TOTAL OPERATING REVENUE	

OPERATING EXPENSES

Salaries and Benefits	65,964
Supplies	10,579
Contracted Services	25,309
Insurance	18,522
Printing and Publishing	162
Utilities	24,443
Equipment Maintenance	14,620
Equipment Rental	5,780
Miscellaneous	<u>911</u>
TOTAL OPERATING EXPENSES	<u>166,290</u>

INCOME FROM OPERATIONS BEFORE DEPRECIATION

81,359

LESS DEPRECIATION

On Assets Acquired With Own Funds	-68,264
On Assets Acquired With Contributed Capital	<u>-25,982</u>

NET OPERATING INCOME <LOSS>

-12,887

NON-OPERATING INCOME

Connection fees	5,800
Equipment Rental	21,882
Interest on Investments	3,794
Penalties and Late Fees	2,455
Miscellaneous	<u>1,696</u>
TOTAL NON-OPERATING INCOME	<u>35,627</u>

NON-OPERATING EXPENSE

Interest Expense	<u>---</u>
------------------	------------

NET INCOME

22,740

**ADD BACK DEPRECIATION CHARGED
AGAINST CONTRIBUTED CAPITAL**

25,982

ADJUSTED NET INCOME

48,722

RETAINED EARNINGS - MARCH 1, 2003

1,690,451

RETAINED EARNINGS - FEBRUARY 29, 2004

\$ 1,739,173

VILLAGE OF SARANAC

WATER AND SEWER FUND STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 29, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income <Loss>	<u>\$ -12,887</u>
-------------------------	-------------------

ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Depreciation	94,246
Connection Fees	5,800
Equipment Rental	21,882
Penalties and Late Fees	2,455
Miscellaneous	<u>1,696</u>
TOTAL ADJUSTMENTS	<u>126,079</u>

CHANGES IN ASSETS AND LIABILITIES

Accounts Receivable	-2,034
Grants Receivable	---
Due from Other Funds	1,911
Accounts Payable	-4,571
Due to Other Funds	<u>-26,846</u>
TOTAL CHANGES IN ASSETS AND LIABILITIES	<u>-31,540</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>81,652</u>
---	---------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Property, Plant, and Equipment Acquisition	-161,077
Interest Expense	---
EDA Grant	<u>---</u>
NET CASH PROVIDED <USED> BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-161,077</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	<u>3,794</u>
-------------------------	--------------

NET INCREASE <DECREASE> IN CASH AND CASH EQUIVALENTS	-75,631
--	---------

CASH AND CASH EQUIVALENTS - MARCH 1, 2003	<u>476,168</u>
---	----------------

CASH AND CASH EQUIVALENTS - FEBRUARY 29, 2004	<u>\$ 400,537</u>
---	-------------------

**GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF GENERAL LONG-TERM DEBT**

FEBRUARY 29, 2004

AMOUNT TO BE PROVIDED

Amount to be Provided for Retirement of General Long-Term Debt	<u>\$ 5,970</u>
---	-----------------

GENERAL LONG-TERM DEBT PAYABLE

Vested Employee Benefits - Accrued Employee Compensation Payable	<u>\$ 5,970</u>
---	-----------------

VILLAGE OF SARANAC

ADDITIONAL FINANCIAL DATA

VILLAGE OF SARANAC

GENERAL FUND SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT

YEAR ENDED FEBRUARY 29, 2004

GENERAL GOVERNMENT

VILLAGE COUNCIL

Salaries and Benefits	\$ 3,970	
Insurance	2,863	
Miscellaneous	<u>463</u>	
		\$ 7,296

ELECTIONS

Salaries	291	
Supplies	68	
Printing and Publishing	387	
Miscellaneous	<u>41</u>	
		787

CLERK/TREASURER

Salaries and Benefits	21,942	
Supplies	2,793	
Insurance	141	
Miscellaneous	<u>714</u>	
		25,590

VILLAGE HALL AND GROUNDS

Salaries and Benefits	2,202	
Operating Supplies	1,481	
Outside Services	1,472	
Insurance	2,479	
Utilities	5,434	
Repairs and Maintenance	16,474	
Miscellaneous	618	
Refuse Removal	<u>3,322</u>	
		33,482

UNALLOCATED

Zoning	12,012	
Professional Fees	9,241	
Master Plan	---	
Printing and Publishing	1,453	
Miscellaneous	1,190	
Insurance	350	
Contributions	902	
Ordinance Codification	<u>2,225</u>	
		<u>27,373</u>

TOTAL GENERAL GOVERNMENT

\$ 94,528

PUBLIC SAFETY		
LAW ENFORCEMENT		
Contracted Services	\$ 45,118	
AMBULANCE		
Contracted Services	<u>5,980</u>	
TOTAL PUBLIC SAFETY		\$ 51,098
PUBLIC WORKS		
STREET LIGHTS		
Public Utilities	15,962	
REFUSE	<u>7,043</u>	
TOTAL PUBLIC WORKS		23,005
RECREATION AND CULTURE		
PARKS AND RECREATION		
Salaries	9,335	
Supplies	3,637	
Outside Services	1,691	
Insurance	520	
Printing and Publishing	205	
Repairs and Maintenance	---	
Equipment Rental	4,299	
Miscellaneous	<u>35</u>	
TOTAL RECREATION AND CULTURE		19,722
CAPITAL OUTLAY		
PARK		
	303,298	
BUILDING AND GROUNDS	<u>12,417</u>	
TOTAL CAPITAL OUTLAY		<u>315,715</u>
TOTAL EXPENDITURES		504,068
OTHER FINANCING USES		
Operating Transfer Out - Major Street		13,000
Operating Transfer Out - Local Street		181,000
Operating Transfer Out - Fire Fund		<u>13,514</u>
TOTAL OTHER FINANCING USES		<u>207,514</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES		<u>\$ 711,582</u>

VILLAGE OF SARANAC

MAJOR STREET FUND SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT

YEAR ENDED FEBRUARY 29, 2004

PUBLIC WORKS

ROUTINE MAINTENANCE

Salaries and Benefits	\$ 32,486	
Supplies	3,103	
Street Sweeping	252	
Professional Services	1,949	
Printing and Publishing	29	
Insurance	7,262	
Utilities	825	
Repairs and Maintenance	7,304	
Equipment Rental	13,230	
Miscellaneous	<u>185</u>	
		66,625

WINTER MAINTENANCE

Salaries and Benefits	4,708	
Supplies	966	
Professional Services	3,692	
Equipment Rental	<u>5,727</u>	
		<u>15,093</u>

TOTAL EXPENDITURES

\$ 81,718

LOCAL STREET FUND
SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT

YEAR ENDED FEBRUARY 29, 2004

PUBLIC WORKS

ROUTINE MAINTENANCE

Salaries and Benefits	\$ 29,164	
Supplies	2,199	
Street Sweeping	126	
Professional Services	641	
Printing and Publishing	248	
Insurance	7,236	
Utilities	825	
Repairs and Maintenance	9,038	
Equipment Rental	9,751	
Miscellaneous	<u>440</u>	
		59,668

WINTER MAINTENANCE

Salaries and Benefits	2,417	
Supplies	483	
Equipment Rental	3,152	
Professional Services	1,843	
Repairs and Maintenance	<u>20</u>	
		7,915

CAPITAL OUTLAY

166,212

TOTAL EXPENDITURES

\$ 233,795

VILLAGE OF SARANAC

FIRE FUND SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT

YEAR ENDED FEBRUARY 29, 2004

PUBLIC SAFETY	
Salaries and Benefits	\$ 10,562
Operating Supplies	6,233
Outside Services	2,303
Insurance	11,351
Utilities	3,159
Repairs and Maintenance	7,241
Miscellaneous	<u>1,445</u>
	42,294
CAPITAL OUTLAY	<u>5,673</u>
TOTAL EXPENDITURES	<u><u>\$ 47,967</u></u>

Karl L. Drake, P.C.
Certified Public Accountant

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Village Council
Village of Saranac
Saranac, Michigan 48881

We have audited the financial statements of the Village of Saranac as of and for the year ended February 29, 2004, and have issued our report thereon dated June 29, 2004. We have conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Saranac's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Saranac's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Village Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Karl L. Drake". The signature is written in a cursive, flowing style.

Karl L. Drake, PC
Certified Public Accountant

June 29, 2004